

Message Text

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ACTION INT-05

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FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 8360

CINCPACREP GUAM/TTPI

INFO AMCONSUL NAHA

C O N F I D E N T I A L TOKYO 5256

CINCPACREP PASS TO HICOM AND STATUS LNO SAIPAN

NAHA FOR QUIGLEY

DEPT PASS INTERIOR FOR DOTA AND OSN

FOR HICOM AND STATUS LNO

E.O. 11652: GDS

TAGS: EAID, JA, TQ

SUBJECT: MICRONESIA CLAIMS AGREEMENT: STATUS OF PROCUREMENT

SUMMARY: PROCUREMENT UNDER CLAIMS AGREEMENT CONTINUES TO PROGRESS, AS EVIDENCED BOTH BY VALUE OF CONTRACTS SUBMITTED TO FONOFF AND BY DISBURSEMENTS FROM SPECIAL ACCOUNT. HOWEVER, AS ONLY SIX AND ONE HALF MONTHS REMAIN TO COMPLETE PROCUREMENT, EMBASSY SUGGESTS TTPI AND WASHINGTON AGENCIES FIRM UP FINAL PROCUREMENT PLANS SOON. IN INTEREST OF FACILITATING PROCUREMENT, EMBASSY SUGGESTS THAT TTPI MIGHT FULFILL ITS SHARE OF CLAIMS/PROCUREMENT TRANSACTION BY MAKING DOLLAR PAYMENTS INTO CLAIMS FUND AT LEVEL OF APPROXIMATELY 5 MILLION DOLLARS AS SPECIFIED IN MICRONESIA CLAIM ACT WHILE MAKING PROCUREMENT OF JAPANESE GOODS AND SERVICES IN FULL AMOUNT OF 1.8 BILLION YEN IN SPECIAL ACCOUNT ESTABLISHED BY USG, CONFIDENTIAL

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WHICH HAS NOW APPRECIATED IN VALUE TO APPROX. 6

MILLION DOLLARS. REQUEST ADDRESSEES CONSIDER WHETHER THERE WOULD BE ANY OBJECTION TO THIS COURSE OF ACTION BASED ON MICRONESIA CLAIMS ACT AND GOJ-USG NOTE EXCHANGE OF APRIL 18, 1969. END SUMMARY.

1. PROCUREMENT ACCOMPLISHED UNDER THE MICRONESIA CLAIMS AGREEMENT, ON THE BASIS OF THE VALUE OF CONTRACTS SUBMITTED TO THE GOJ FONOFF FOR CONFIRMATION, NOW AMOUNTS TO APPROXIMATELY 64 PERCENT OF THE ORIGINAL JAPANESE GRANT (I.E., EXCLUDING INTEREST). DISBURSEMENTS FROM THE SPECIAL ACCOUNT, WHICH LAG BEHIND CONTRACTED AMOUNTS, HAVE REACHED SOME 45 PERCENT OF THE ORIGINAL GRANT. THESE FIGURES INDICATE CONTINUING PROGRESS TOWARD GOAL OF COMPLETION OF PROCUREMENT BY OCTOBER 15, 1976. HOWEVER, HAVING IN MIND THAT ONLY SIX AND ONE HALF MONTHS REMAIN UNTIL THIS DEADLINE, AND THAT COMPLETION OF PROCUREMENT WILL BE MEASURED BY THE LATTER STANDARD, I.E. BY AND UPON PAYMENT FROM THE SPECIAL ACCOUNT, EMBASSY SUGGESTS THAT HICOM AND WASHINGTON AGENCIES REVIEW PROCUREMENT PLANS IN ORDER TO PROCEED EXPEDITIOUSLY EITHER A) TO COMPLETE FIRM PLANS BASED ON EXISTING LIST OF PRODUCTS AND SERVICES, OR, ALTERNATIVELY, B) TO DETERMINE WHAT CHANGES IN LIST MAY BE NECESSARY. IN EMBASSY VIEW, IT IS HIGHLY DESIRABLE THAT PROCUREMENT BE COMPLETED BY THE AGREED DATE.

2. IN THIS REGARD, EMBASSY NOTES THAT MICRONESIA CLAIMS ACT PROVIDES THAT QTE FUNDS APPROXIMATING FIVE MILLION DOLS. APPROPRIATED TO THE TRUST TERRITORY OF THE PACIFIC ISLANDS FOR SUPPLIES OR CAPITAL IMPROVEMENTS IN ACCORDANCE WITH THE ACT OF JUNE 30, 1954, AS AMENDED, SHALL BE PAID INTO A MICRONESIAN CLAIMS FUND AS THE PRODUCTS OF JAPAN AND THE SERVICES OF THE JAPANESE PEOPLE IN THE AMOUNT OF ONE BILLION EIGHT HUNDRED MILLION YEN (CURRENTLY COMPUTED AT FIVE MILLION DOLLARS) ARE PROVIDED BY JAPAN...UNQTE. NOTE EXCHANGE OF APRIL 18, 1969 PROVIDES IN PART THAT THE USG QTE...INTENDS TO MAKE PROVISION FOR PAYMENT, IN WHATEVER FORM, MANNER AND EXTENT IT CONSIDERS APPROPRIATE, AND NOT EXCEEDING THE SUM CORRESPONDING TO THE TOTAL AMOUNTS TO BE CONTRIBUTED BY THE USA AND JAPAN BY VIRTUE OF THE AGREEMENT, CONFIDENTIAL

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OF CLAIMS...UNQTE. EMBASSY SUGGESTS THAT REQUIREMENTS OF ABOVE-QUOTED LANGUAGE OF THE ACT AND NOTE EXCHANGE MAY BE MET BY TTPI PAYMENTS INTO CLAIMS FUND OF 5 MILLION DOLS. (RATHER THAN 6 MILLION, WHICH IS PRESENT APPROXIMATE VALUE OF 1.8 BILLION YEN).

3. EMBASSY IS AWARE OF DIFFICULTIES CREATED FOR TTPI BY MICRONESIA CLAIMS ACT REQUIREMENT OF PAYMENT INTO

CLAIMS FUND OF DOLS. FROM TTPI BUDGET, AS JAPANESE GOODS AND SERVICES ARE PROCURED WITH YEN GRANT. EMBASSY ALSO AWARE THAT INFLATION IN JAPAN AND APPRECIATION OF YEN RELATIVE TO THE DOLLAR HAVE COMPOUNDED TTPI PROBLEMS BY DECREASING COMPETITIVENESS OF JAPANESE GOODS AND SERVICES WHICH, WERE IT NOT FOR THE CLAIMS AGREEMENT, WOULD BE PROCURED ELSEWHERE AT LOWER COST. AT SAME TIME, EMBASSY AWARE OF CONTINUING MICRONESIAN DISSATISFACTION WITH CLAIMS AGREEMENT, AS MOST RECENTLY EXPRESSED ON NUMBER OF OCCASIONS TO VISITING UN MISSION, AND EXPECTS THAT DISSATISFACTION WILL INCREASE IF PROCUREMENT AND, THUS, CLAIMS PAYMENT ARE FURTHER DELAYED BEYOND OCTOBER 15, 1976 DEADLINE. IN EMBASSY VIEW, COURSE OF ACTION SUGGESTED IN PARA 2 ABOVE, BY REDUCING BY ONE MILLION DOLLARS AMOUNT TTPI MUST PAY FROM ITS BUDGET INTO CLAIMS FUND, WILL EASE TTPI PROBLEMS AND INCREASE LIKELIHOOD OF COMPLETING PROCUREMENT BY DEADLINE. ON THE OTHER HAND, TTPI DOLLAR CONTRIBUTIONS TO CLAIMS FUND OF FIVE MILLION DOLLARS RATHER THAN SIX MIGHT HAVE ADVERSE POLITICAL REPERCUSSIONS IN MICRONESIA SO SERIOUS AS TO OBTAIN ADVANTAGES OF TIMELY COMPLETION OF PROCUREMENT.

4. ACTION REQUESTED: ADDRESSES CONSIDER COURSE OF ACTION PROPOSED ABOVE, KEEPING IN MIND QUESTIONS WHETHER A) IT WILL FACILITATE COMPLETION OF PROCUREMENT BY AGREED DEADLINE, AND B) IT WILL HAVE ADVERSE POLITICAL REPERCUSSIONS IN MICRONESIA. IF COURSE OF ACTION REGARDED AS PERMISSABLE UNDER MICRONESIA CLAIMS ACT AND DESIRABLE, EMBASSY SHOULD CONSULT WITH GOJ TO OBTAIN ITS CONSENT. THEN, PROCUREMENT SHOULD PROCEED ON BASIS SUGGESTED ABOVE.
HODGSON

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